

110TH CONGRESS
1ST SESSION

H. R. 4042

To amend the Internal Revenue Code of 1986 to reduce the estate tax for periods before its termination in 2010 by increasing the unified credit, lowering the maximum estate tax rate, restoring the exclusion for family-owned business interests, excluding the value of the decedent's principal residence, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 1, 2007

Mr. MCNERNEY (for himself, Mr. SPACE, and Mr. PAUL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to reduce the estate tax for periods before its termination in 2010 by increasing the unified credit, lowering the maximum estate tax rate, restoring the exclusion for family-owned business interests, excluding the value of the decedent's principal residence, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 (a) IN GENERAL.—This Act may be cited as the
5 “Family Farm, Small Business, and Home Tax Relief
6 Act”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-
 2 wise expressly provided, whenever in this Act an amend-
 3 ment or repeal is expressed in terms of an amendment
 4 to, or repeal of, a section or other provision, the reference
 5 shall be considered to be made to a section or other provi-
 6 sion of the Internal Revenue Code of 1986.

7 **SEC. 2. ACCELERATION OF INCREASE IN UNIFIED CREDIT.**

8 (a) IN GENERAL.—Subsection (c) of section 2010
 9 (relating to unified credit against tax) is amended to read
 10 as follows:

11 “(c) APPLICABLE CREDIT AMOUNT.—

12 “(1) IN GENERAL.—For purposes of this sec-
 13 tion, the applicable credit amount is the amount of
 14 the tentative tax which would be determined under
 15 the rate schedule set forth in section 2001(c) if the
 16 amount with respect to which such tentative tax is
 17 to be computed were the applicable exclusion
 18 amount. For purposes of the preceding sentence, the
 19 applicable exclusion amount is \$3,500,000.

20 “(2) COST-OF-LIVING ADJUSTMENT.—In the
 21 case of any decedent dying in a calendar year after
 22 2008, the \$3,500,000 amount in paragraph (1) shall
 23 be increased by an amount equal to—

24 “(A) such dollar amount, multiplied by

1 “(B) the cost-of-living adjustment deter-
 2 mined under section 1(f)(3) for such calendar
 3 year by substituting ‘calendar year 2006’ for
 4 ‘calendar year 1992’ in subparagraph (B)
 5 thereof.

6 If any amount as adjusted under the preceding sen-
 7 tence is not a multiple of \$1,000, such amount shall
 8 be rounded to the nearest multiple of \$1,000.”.

9 (b) EFFECTIVE DATE.—The amendment made by
 10 this section shall apply to estates of decedents dying, and
 11 gifts made, after December 31, 2007.

12 **SEC. 3. ACCELERATION OF REDUCTION IN MAXIMUM ES-**
 13 **TATE TAX RATE.**

14 (a) MAXIMUM ESTATE TAX RATE.—

15 (1) The table contained in paragraph (1) of sec-
 16 tion 2001(c) is amended by striking the 2 highest
 17 brackets.

18 (2) Section 2001(c), as amended by paragraph
 19 (1), is amended by striking “(1) IN GENERAL.—”
 20 and by striking paragraph (2).

21 (b) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to estates of decedents dying, and
 23 gifts made, after December 31, 2007.

1 **SEC. 4. RESTORATION OF, AND INCREASE IN, DEDUCTION**
 2 **FOR FAMILY-OWNED BUSINESS INTERESTS.**

3 (a) RESTORATION.—Subsection (j) of section 2057
 4 (relating to termination) is amended to read as follows:

5 “(j) APPLICATION OF SECTION.—This section—

6 “(1) shall not apply to estates of decedents
 7 dying after December 31, 2003, and before January
 8 1, 2008, but

9 “(2) shall apply to estates of decedents dying
 10 after December 31, 2007.”.

11 (b) INCREASE.—

12 (1) IN GENERAL.—Subsection (a) of section
 13 2057 is amended—

14 (A) by striking “\$675,000” in paragraph
 15 (2) and inserting “\$8,000,000”, and

16 (B) by striking paragraph (3).

17 (2) COST-OF-LIVING ADJUSTMENT.—Subsection
 18 (a) of section 2057 is amended by adding at the end
 19 the following new paragraph:

20 “(3) COST-OF-LIVING ADJUSTMENT.—In the
 21 case of any decedent dying in a calendar year after
 22 2008, the \$8,000,000 amount in paragraph (2) shall
 23 be increased by an amount equal to—

24 “(A) such dollar amount, multiplied by

25 “(B) the cost-of-living adjustment deter-
 26 mined under section 1(f)(3) for such calendar

1 year by substituting ‘calendar year 2006’ for
 2 ‘calendar year 1992’ in subparagraph (B)
 3 thereof.

4 If any amount as adjusted under the preceding sen-
 5 tence is not a multiple of \$10,000, such amount
 6 shall be rounded to the nearest multiple of
 7 \$10,000.”.

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to estates of decedents dying after
 10 December 31, 2007.

11 **SEC. 5. ACCELERATION OF REPEAL OF TAX ON GENERA-**
 12 **TION-SKIPPING TRANSFERS.**

13 Section 2664 (relating to termination) is amended by
 14 striking “December 31, 2009” and inserting “December
 15 31, 2007”.

16 **SEC. 6. EXCLUSION FROM GROSS ESTATE OF VALUE OF**
 17 **PRINCIPAL RESIDENCE.**

18 (a) IN GENERAL.—Subchapter A of chapter 11 is
 19 amended by adding at the end the following new section:

20 **“SEC. 2059. PRINCIPAL RESIDENCE.**

21 “(a) IN GENERAL.—For purposes of the tax imposed
 22 by section 2001, in the case of a decedent who was (at
 23 the date of the decedent’s death) a citizen or resident of
 24 the United States, the value of the taxable estate shall

1 be determined by deducting from the value of the gross
2 estate the adjusted value of any residence if—

3 “(1) such residence is included in determining
4 the value of the gross estate,

5 “(2) such residence is located in the United
6 States, and

7 “(3) during the 8-year period ending on the
8 date of the decedent’s death, there have been periods
9 aggregating 5 years during which such residence was
10 owned by the decedent or a member of the decedent’s
11 family and used by the decedent or such a
12 member as their principal residence (within the
13 meaning of section 121).

14 “(b) LIMITATION.—

15 “(1) IN GENERAL.—The deduction allowed by
16 this section shall not exceed \$2,000,000.

17 “(2) COST-OF-LIVING ADJUSTMENT.—In the
18 case of any decedent dying in a calendar year after
19 2008, the \$2,000,000 amount in paragraph (1) shall
20 be increased by an amount equal to—

21 “(A) such dollar amount, multiplied by

22 “(B) the cost-of-living adjustment deter-
23 mined under section 1(f)(3) for such calendar
24 year by substituting ‘calendar year 2006’ for

1 ‘calendar year 1992’ in subparagraph (B)
2 thereof.

3 If any amount as adjusted under the preceding sen-
4 tence is not a multiple of \$1,000, such amount shall
5 be rounded to the nearest multiple of \$1,000.

6 “(c) ADJUSTED VALUE.—For purposes of this sec-
7 tion, the adjusted value of property is the value of such
8 property for purposes of this chapter, reduced by amounts
9 allowable as a deduction in respect to such property under
10 paragraph (4) of section 2053(a).

11 “(d) QUALIFIED HEIR; MEMBER OF THE FAMILY.—
12 For purposes of this section, the terms ‘qualified heir’ and
13 ‘member of the family’ have the respective meanings given
14 to such terms by section 2032A(e).”.

15 (b) CLERICAL AMENDMENT.—The table of sections
16 for subchapter A of chapter 11 is amended by adding at
17 the end the following new item:

 “Sec. 2059. Principal residence.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to estates of decedents dying after
20 December 31, 2007.

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